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**STATEMENT OF ELJAY B. BOWRON
DIRECTOR
UNITED STATES SECRET SERVICE
BEFORE THE
SUBCOMMITTEE ON GENERAL OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON BANKING AND FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES**

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STATEMENT OF ELJAY B. BOWRON

Director

United States Secret Service

before the:

Subcommittee on General Oversight and Investigations

Committee on Banking and Financial Services

U.S. House of Representatives

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Thank you, Mr. Chairman, for extending an invitation to the Secret Service to testify at this hearing. We very much appreciate the opportunity to address issues relating to the counterfeiting of United States currency. The violation continues to be a major investigative priority of this agency.

United States currency is recognized around the world. According to the Federal Reserve, over 65% of the existing U.S. currency is in circulation abroad. Our currency is now the currency of choice in many countries. In certain cultures U.S. currency actually competes with the national currency for accumulated savings, large transactions, and even daily use. Mr. Ted Allison of the Federal Reserve System is better prepared to speak to this phenomena and the related implications.

The Secret Service's law enforcement role concerning issues of currency integrity focuses on both investigation and

deterrence. Counterfeiting, like other financial crimes, is an offense committed for economic gain. Because our currency is stable and widely accepted, it is very attractive to counterfeiters. It is an offense that is international in scope. Using equipment ranging from copy machines and small offset duplicators, to desktop publishing and computerized commercial printing presses, quantities of counterfeit currency can be produced anywhere in the world. The equipment used by the "casual" counterfeiter and the career criminal continues to be readily available. As technology moves forward, that same equipment becomes more affordable, and more accessible. Although technological advancements help facilitate the production of counterfeit currency, the end product varies greatly in quality, with some notes being highly deceptive, while others are of extremely poor quality. In either case, an investigation is initiated.

During the past five years, the amount of counterfeit currency passed on the public in the United States has increased from \$14 million in 1990, to \$32.4 million in 1995. Of the 1995 total, more than 15% (\$4.9 million) originated in Canada and 39% (\$12.7 million) originated in Colombia. In 1990, 37% of the counterfeit passed in the United States originated outside of our borders. By 1995, 69% of counterfeit currency passed in the United States was foreign produced.

Outside of the United States, during the FY 1990, 1991, and 1992, an average of \$31.2 million in counterfeit United States currency was reported as being seized or passed. In FY 1993, that amount increased to \$120.8 million, and in to FY 1994 \$137.7 million. During FY 1995, \$231.3 million in counterfeit currency was reported as being passed or seized outside of the United States. It is important to note that the great majority of this counterfeit currency is seized prior to ever being circulated. In FY 1995 almost \$210 million of the \$231 Million reported was seized prior to any circulation. The amount that was passed is an extremely small fraction of the \$390 billion of legitimate currency in circulation in 1995.

Traditionally, counterfeit United States currency was produced in the United States and was passed to the public within our borders. As noted previously, technology has enabled individuals with no printing skills to enter the ranks of the counterfeiter. The Secret Service has enrolled in a plan to utilize the same kinds of technology used by counterfeiters to aggressively investigate the violation. A long-standing partnership with the printing industry, coupled with a more recent relationship with progressive representatives within the reprographic industry, is paying dividends. While it would be counter-productive to discuss established or ongoing initiatives, I have every confidence that this strategic plan will help law

enforcement keep pace with those who utilize technology in their criminal enterprises.

Today, the Secret Service continues to be extremely effective in suppressing the domestic counterfeiter. In order to vigorously enforce the counterfeiting laws, the Secret Service maintains a close working relationship with other Federal, State, and local law enforcement agencies. That ongoing liaison, matched with the expertise and willing participation of the banking establishment and the printing industry, forms a cohesive association of professionals. The Secret Service maximizes each of these relationships in combatting counterfeiting.

During the five year period FY 1990 thru FY 1994, within the United States, the Secret Service seized more than \$266 million of the \$310 million (85%) produced domestically before it was ever circulated. During that same time period, our agents arrested 9279 individuals on counterfeiting charges, with a conviction rate of 96%. Agents also actively suppressed 609 counterfeit printing "plant" operations. In FY 1995 alone, the Secret Service arrested 1856 individuals for counterfeit related violations, suppressed 157 counterfeit plant operations, and seized more than \$75 million in counterfeit currency prior to circulation, including a plant suppression and seizure of \$25.8 million in counterfeit \$100, \$50, and \$20 Federal Reserve Notes

in Fremont, California, on January 6, 1995. The seizure was the largest domestic seizure of counterfeit United States currency in the history of the United States.

Overseas, there are a number of variables that impact our ability to investigate the counterfeiting of U.S. currency, some more obvious than others. I cannot share all the impediments which we face abroad for fear that they will be incorporated into a criminal's "recipe for success" outline. I will share, in this forum, certain obstacles and realities. Law enforcement authorities in any country establish certain priorities. The counterfeiting of another country's currency is not always of serious concern. The language and cultural barriers are always a consideration. When detailed information is exchanged, it is critical that it is not misinterpreted. The result can be devastating. In pursuit of these investigations we rely upon the host government for assistance. Further, travel between countries, and even cities within a country is more time consuming and laborious than domestically. The result is less available time with which to pursue an investigation. Again, this list is not intended to be all-inclusive, but rather an offering of certain considerations.

Regardless of the limitations, there is no mitigating of our responsibility to utilize our investigative resources to the greatest extent possible. The need for an increased emphasis on

interdiction and suppression of counterfeit United States currency abroad remains a priority. Suppression and deterrence efforts have a linkage to our overseas presence. The Secret Service has maintained a foreign presence since the establishment of our first foreign office in Paris, France in May of 1948. As authorization and funding have been made available, our foreign presence has expanded. Between 1985 and 1992, foreign offices opened in Rome, London, Bangkok, Bonn, and Manila.

Recognizing the need to increase Secret Service staffing overseas, the Department of the Treasury concurred with the request for additional funding. The Treasury, Postal Service, and General Government Appropriations Subcommittees of both Houses supported the initiative and succeeded in having it funded by Congress in both the FY 1995 and FY 1996 Appropriations Acts (P.L. 103-329 and P.L.104-052). Those appropriations, coupled with support from the Departments of the Treasury and State have, to date, resulted in the opening of new offices in Bogota, Hong Kong, Nicosia, and Montreal; with additional staffing being provided to existing offices in Bonn, London, Paris, and Rome (Milan).

While the Secret Service remains convinced that the permanent presence of our agents overseas provides the greatest return on investment, there are times when a task force approach to problem solving has merit. Secret Service agents, with

specific expertise are dispatched on temporary assignments to task force operations established in targeted countries or regions as appropriate.

Regardless of the staffing scheme used, foreign law enforcement assets are crucial to our investigative mission abroad. The Secret Service has developed and maintained an excellent working relationship with various foreign law enforcement agencies. That cooperation has been enhanced by our willingness to share information and offer forensic expertise with local and international authorities. From October 1994 to present, Secret Service personnel have provided 304 educational seminars to foreign law enforcement and banking officials in 81 different countries, each designed to enhance their capabilities with regard to the identification and investigation of counterfeited U.S. currency.

There have also been interagency initiatives, whereby assets from those respective agencies have been melded into a more comprehensive program designed to meet different, but related goals. The International Currency Awareness Program, initiated by the Secret Service and the Federal Reserve System to address issues of mutual interest, is an example.

In the first phase, ICAP staff meet with representatives of the host government, the Central Bank, and law enforcement.

Representatives of the Secret Service, The Federal Reserve System, and Treasury Officials examine the condition of U.S. currency in the participating country; determine the role U.S. currency plays in the economy; ascertain the procedures used by the banking community to detect counterfeit U.S. currency in circulation; ascertain the amount of counterfeit United States currency detected in circulation; determine how the banks refer information concerning counterfeit U.S. currency to the proper authorities; and confer with the appropriate police authorities to evaluate the actions taken when counterfeit U.S. currency comes to their attention. The phases which may follow include special agents and document analysts of the Service conducting seminars concerning the identification of genuine U.S. currency, and the detection of counterfeit U.S. currency. In a subsequent effort, Secret Service and Federal Reserve personnel, when permitted by the host, conduct a manual examination of a representative sampling of U.S. currency in the vaults of the respective foreign bank to help confirm that counterfeit U.S. currency is being detected by bank personnel.

Cooperative efforts have played a role in cases resulting in significant seizures. For example, during FY 1995, Italian authorities, assisted by the Secret Service, seized more than \$43.8 million in counterfeited United States currency. German authorities seized more than \$19 million in counterfeited United States currency. Canadian authorities, assisted by the Secret

Service, seized more than \$129 million in counterfeited United States currency. In each example, the seizure was made prior to the first note being passed on the public.

Our ability to support efforts by foreign law enforcement and demonstrate this country's commitment to suppressing counterfeiting both domestically and abroad was reinforced through Congressional efforts. In 1992, P.L.102-550 significantly enhanced Title 18, section 474, by adding language specifically proscribing the use of " electronic methods" in producing counterfeit currency. Further, the law added section 474A

which prohibited the "control or possession" of materials identified as being "counterfeit deterrent" materials, any of which having been adapted for the production of counterfeit currency. In the 1994 Crime Bill (P.L. 103-322) the counterfeiting of U.S. currency abroad was made an extraterritorial offense. Title 18, USC, section 470 provides that any person manufacturing, trafficking in, or possessing U.S. currency abroad may be prosecuted as if the act had been committed within the United States. The Secret Service has already utilized this provision in multiple prosecutions. Additionally, legislation has been introduced in the Senate by Banking Committee Chairman Alfonse D'Amato increasing the penalty for domestic counterfeiting to 25 years. A similar bill is being introduced in the House by Banking Committee Chairman Jim Leach.

Much of law enforcement's efforts have historically been conditioned to respond to an identified problem. While a certain portion of our investigative mission is necessarily reactive, the Secret Service has also developed a risk analysis approach to problem solving. That analysis is intended, whenever possible, to identify systemic weaknesses and proffer solutions.

The Treasury Department's Advanced Counterfeit Deterrence Steering Committee (ACD), established in 1982 is an example of a partnership that works. A member since its inception, the Secret Service has had an opportunity to work with representatives from the Federal Reserve System, the Bureau of Engraving and Printing, and the Department of the Treasury in an ongoing effort at deterrence. Perhaps the best known of its efforts involves its contributions to the new currency design. That redesign, contrary to certain published accounts, was not done in response to any current threat(s). Rather, it was effected in order to guard against certain technological advances which are becoming available. It was the first comprehensive design change since 1929. Subsequent changes will be technology driven, with the goal of maintaining the integrity of the currency by remaining ahead of that technological curve.

With the emphasis on the judicious use of resources by all branches of government, the ACD continues to be a cost effective tool. I would offer that the strength of the ACD lies in its

balance of complementary expertise and information sharing. The Secret Service appreciates its role, and looks forward to remaining a full partner, as the ACD group continues to focus on proactive strategies relating to the deterrence of counterfeiting, domestically and abroad.

Again Mr. Chairman, thank you for this opportunity to appear before your Committee. Be assured that the Secret Service remains committed to the mission of combatting counterfeiting, and takes great pride in our many successes. As you know, we have many ongoing investigations. To discuss these cases in a public forum could put agents, informants, and witnesses in harm's way. Therefore, I am restricted in what I can publicly address. I remain, however, very willing to provide a classified briefing to Members. Now, to the extent possible, I will be happy to answer any questions you, or any of the other Members might have.